

## Message Text

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44

ACTION PM-04

INFO OCT-01 ARA-06 ISO-00 MC-02 AID-05 EB-07 COME-00

ACDA-05 TRSE-00 OMB-01 CIAE-00 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 /073 W

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P R 192145Z FEB 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 8921

SECDEF WASHDC PRIORITY

INFO USCINCSOUTH

C O N F I D E N T I A L LIMA 1628

E.O. 11652: GDS

TAGS: MASS, PE

SUBJECT: FY 1977 MILITARY SECURITY ASSISTANCE

REF: STATE 36160

FOLLOWING REPLIES KEYED TO QUESTIONS CONTAINED PARAS 4 AND 5  
REFTEL:

4A. NOT APPLICABLE BECAUSE PERU DOES NOT RECEIVE GRANT  
MATERIEL.

4B. NO RESPONSE REQUIRED BECAUSE WASHINGTON IS DEVELOPING  
DATA.

5A. YES.

5B. THREE PERUVIAN MILITARY SERVICES MAKE THEIR PROCURE-  
MENT DECISIONS SEPARATELY. OUR ESTIMATE OF MAJOR END  
ITEMS TO BE PROCURED IN ORDER OF PRIORITY IS:

ARMY

(1) M577A1 COMMAND TRACK VEHICLES  
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(2) M113A1 ARMORED PERSONNEL CARRIERS

(3) UTILITY HELICOPTERS

AIR FORCE

(1) A-37B AIRCRAFT

(2) A-4 TYPE AIRCRAFT AND NEW TRAINER AIRCRAFT TO  
REPLACE F-86, HAWKER HUNTER AND AT-33.

NAVY

(1) DESTROYER

(2) LANDING SHIP DOCK

(3) INITIAL COMBAT EQUIPMENT FOR 3 MARINE BATTALIONS.

5C. NO. THERE IS NO U.S. APPROVED FORCE GOAL FOR THE PERUVIAN ARMED FORCES. HOWEVER, SOME OF THE ABOVE ITEMS HAVE BEEN APPROVED FOR SALE TO PERU BY USG AND, FOR THE MOST PART, ARE FOR MODERNIZATION OF EXISTING FORCES.

5D. THE PROPOSED LEVEL OF CREDIT SALES WILL HELP TO MAINTAIN OUR LINES OF COMMUNICATION TO THE PERUVIAN ARMED FORCES AND THUS TO THE MILITARY GOVERNMENT. THE PERUVIAN COMMANDERS ARE INSISTENT UPON A MODERNIZATION PROGRAM. WE BELIEVE THEY PREFER TO BUY U.S. WEAPONS BUT IF NOT AVAILABLE VIA CASH OR CREDIT, WILL BUY FROM BEST AVAILABLE SOURCE.

5E. THERE IS NO GRANT MATERIEL PROGRAM FOR PERU. CREDIT PROGRAM IS CLOSELY RELATED TO GRANT TRAINING IN THAT A LARGE PORTION OF MAP-T IS UTILIZED FOR TRAINING ON PURCHASED U.S. EQUIPMENT VIA MOBILE TRAINING TEAMS, TECHNICAL ASSISTANCE TEAMS, AND TRAINING IN THE U.S. AND CANAL ZONE.

5F. THE U. S. WANTS THE PERUVIAN MILITARY TO FEEL CONFIDENT IN ITS CAPABILITY TO MAINTAIN INTERNAL ORDER AND REPEL ANY OUTSIDE AGGRESSION. WE ALSO WANT TO LIMIT THE DEGREE OF THIRD COUNTRY INFLUENCE IN PERU, AND FMS CREDITS AND CASH SALES ARE USEFUL IN THIS REGARD. FMS CREDITS ARE ALSO HELPFUL IN MAINTAINING AND POSSIBLY IMPROVING THE RELATIONS WE PRESENTLY HAVE WITH THE GOP. FINALLY, FMS CREDITS OFTEN OPEN THE DOOR FOR U.S. COMMERICAL SALES.

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5G. THE PROPOSED \$20 MILLION FMS CREDIT IN AND OF ITSELF SHOULD NOT AFFECT THE REGIONAL ARMS BALANCE OR CONTRIBUTE TO AN ARMS RACE. AT CURRENT PRICES OF MAJOR END ITEMS, \$20 MILLION DOES NOT BUY MUCH. IN FY 75, FOR EXAMPLE, PERU UTILIZED APPROXIMATELY 65 PERCENT OF ITS FMS CREDIT FOR OPERATIONS, MAINTENANCE AND EXPENDABLES FOR PREVIOUSLY PURCHASED EQUIPMENT.

5H. YES. PERU IS ALREADY DRAWING UPON ITS CREDIT IN INTERNATIONAL MONEY MARKETS TO A NEAR MAXIMUM AMOUNT FOR TURNOVER FINANCING AND CIVILIAN SECTOR PROJECTS.

5I. THE REPAYMENT OBLIGATION WILL CREATE A BURDEN ON FUTURE BUDGETS WHICH WILL BE IN PROPORTION TO THE AMOUNT AND TERMS. HOWEVER, THE GOP REMAINS DETERMINED TO MODERNIZE AND IMPROVE ITS FORCES. THE ONLY QUESTION IS WHETHER THEY BUY ON CREDIT FROM THE U.S. OR OTHERS.

5J. SEE 5B ABOVE FOR ARMS PURCHASES PERU WILL PROBABLY SEEK FROM THE U.S. FMS CREDITS EXTENDED BEYOND FY 1977 WOULD AT LEAST PARTLY BE USED TO FINANCE THOSE PURCHASES. ALSO, PERU HAS PENDING SEVERAL PURCHASES DURING FY 1977 FROM EUROPEAN SUPPLIERS, INCLUDING THE SOVIET UNION. THESE THIRD COUNTRY PURCHASES WOULD BECOME MORE LIKELY, AND POSSIBLY BE INCREASED, IF THE U.S. LEVEL OF CREDIT IS NOT MAINTAINED. THESE POTENTIAL PURCHASES INCLUDE HELICOPTERS, AIRCRAFT AND SHIPS.

6. RESPONSE TO PARA 6 REFTTEL FOLLOWS.  
DEAN

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## Message Attributes

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